

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2019/2020

**BAB2024 – MANAGEMENT ACCOUNTING FOR
MANAGERS**
(All sections/Groups)

13 MARCH 2020
3.00P.M – 5.00P.M
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 5 pages with 4 questions.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

COOL YOU Sdn. Bhd produces various juices in bottles to be marketed throughout Malaysia. It involves two main departments which are blending and packaging. In the blending department, the raw materials such as fruits and other ingredients were mixed and processed to various flavour of fruit juice while in packaging, the juices were bottled and packed in carton to be distributed to retailers based on orders received.

The Blending department of COOL YOU has the following cost and production data for the month of June.

Costs:	
Work in process, 1/06/2019	
Direct materials: 100% complete	RM1,000
Conversion costs: 20% complete	RM7,000
Cost incurred during production in June:	
Direct materials	RM8,000
Conversion costs	RM3,500

On 1st of June, 2019, the beginning incomplete units were 2,000. The company started the production with 7,000 units. At the end of the month, ending work in process was 1,000 units that are 100% completed as to materials and 40% complete as to conversion costs.

Required:

- (a) Calculate the completed and transferred out units. (3 marks)
- (b) Determine the equivalent units of production as for material and conversion cost. (4 marks)
- (c) Calculate the cost per unit produced by blending department for the month of June 2019. (6 marks)
- (d) Prepare the reconciliation schedule for blending department for the month of June 2019. (4 marks)
- (e) Journalize the transaction of completed unit and transferred out. (2 marks)
- (f) Briefly provide **TWO (2)** differences between process costing and job order costing. (6 marks)

(Total: 25 marks)

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QUESTION 2

Healthy Fertilizer Sdn. Bhd. sales slumped badly in 2018. For the first time in its history, it operated at a loss. The company's income statement showed the following results from selling 600,000 units of product.

Net sales:	RM 2,400,000
Cost of goods sold:	(RM2,100,000)
Gross profit:	RM 300,000
Selling and administrative expense:	(RM 500,000)
Net loss:	(RM200,000)

Mr. Ramu, an accountant for Healthy Fertilizer Sdn. Bhd. had breakdown the costs and expenses into variable and fixed as follows:

	Variable (RM)	Fixed (RM)
Cost of goods sold	1,440,000	600,000
Selling and administrative	120,000	380,000

Management is considering two plan of action as below to be implement for 2019.

Plan A: Increase unit selling price 25% with no change in costs, expenses and sales volume.

Plan B: Purchased new automated equipment that will change the proportion between variable and fixed cost of goods sold to 60% variable and 40% fixed.

Required:

- Compute the break-even point in RM for 2018. (5 marks)
- Compute the break-even point in RM under each of the alternative plan above. (Plan A and B). (10 marks)
- Based on the computation in (b), Which plan of action (Plan A or B) should Mr. Ramu suggest to the management and justify your answer. (3 marks)
- If Health fertilizer company want to achieve the net income of RM 300,000, how many units of fertilizer that the company need to sell. (3 marks)
- Briefly discuss any **TWO (2)** limitation of cost volume profit analysis as a tool of management. (4 marks)

(Total: 25 marks)

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QUESTION 3**PART A**

Cute House Deco Sdn. Bhd manufactures tablecloths. Sales have grown rapidly over the past 2 years. As a result, the owner has installed a budgetary control system for 2018. The following data were used in developing the master manufacturing overhead budget for the Iron Department, which is based on an activity index of direct labor hours.

Variable costs	Rate per Direct Labor Hour	Annual fixed costs
Indirect labor	RM0.40	Supervision RM30,000
Indirect materials	RM0.50	Depreciation RM18,000
Factory Utilities	RM0.30	Insurance RM12,000
Factory repairs	RM0.20	Rent RM24,000

The master overhead budget was prepared based on the expectation that 480,000 direct labor hours will be worked during the year. In June, 45,000 direct labor hours were worked and 45,000 were expected. At that level of activity, actual costs were as follows.

Variable – per direct labor hour; Indirect labor RM0.43, Indirect materials RM0.50, Factories utilities RM0.32 and factory repairs RM0.24.

Fixed; same as budgeted.

Required:

- Prepare a monthly flexible manufacturing overhead budget for the year ending 31 December, 2018 assuming production levels range from 40,000 to 50,000 direct labor hours. Use increments of 5,000 direct labor hours. (11 marks)
- Prepare a budget performance report for June comparing actual results with budget data based on the flexible budget. (8 marks)

PART B

Jaya Muda Sdn. Bhd. manufacture various plastic household products. The standard labor cost of producing a pail type A is 2.5 hour at the rate of RM4 per hour. During August 2018, 10,800 hours of labor were incurred at a cost of RM4.30 per hour to produce 5,000 units of pail type A.

Required:

Compute the following variance:

- Labor price variance. (3 marks)
- Labor quantity variance. (3 marks)

(Total: 25 marks)

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QUESTION 4

Ah Wei Electronics Sdn. Bhd., manufactures various model and kinds of electronic products. Recently, the owner Mr. Ah Wei has attended a seminar on activity based costing tool and interested to apply it in his business. However, he would like to make a comparison of the current traditional costing that been used with the activity based costing that he plans to use.

For this purpose, he has requested the production manager and the accountant to prepare the manufacturing overhead cost by activities as well as the cost driver for the two high demand products namely HD Smart-X TV and HD Super-Y TV.

The following information is the overhead information for both products for the year ended 31, December, 2018.

Activities	Cost Drivers	Estimated Overhead	Expected use of cost drivers
Purchasing	Number of orders	1,200,000	40,000
Machine setups	Number of setups	900,000	18,000
Machining	Machine hours	4,800,000	120,000
Quality Control	Number of inspections	700,000	28,000
Total		7,600,000	

Below is the information pertaining cost driver used by each product.

Cost drivers	HD Smart-X TV	HD Super-Y TV
Purchase orders	15,000	25,000
Machine setups	5,000	13,000
Machine hours	75,000	45,000
Inspections	9,000	19,000

The direct materials and labor cost per unit under traditional costing for each model in 2018 was as follows:

Traditional costing	HD Smart-X TV	HD Super-Y TV
Direct materials	700	420
Direct labor (RM20 per hour)	120	100

Under traditional costing, Ah Wei Sdn, Bhd. applied overhead based on direct labour hours. The units produced for HD Smart-X TV was 25,000 units and HD Super-Y TV was 10,000 units for the year ended 31 December, 2018.

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Required:

- (a) Calculate the cost per unit for both products HD Smart-X TV and HD Super-Y TV under traditional costing. (6 marks)
- (b) Determine the activity based overhead rate of Ah Wei Electronics Sdn. Bhd. from the given cost pools by activities. (4 marks)
- (c) Calculate cost per unit for both products HD Smart-X TV and HD Super-Y TV under activity based costing. (9 marks)
- (d) Evaluate the cost per unit for both products under traditional and ABC costing and provide your comments on which type of costing that should be applied by Ah Wei Electronics Sdn. Bhd. with justifications. (6 marks)

(Total: 25 marks)

End of Paper